(b) whether Government are also considering making IRDA as a watch dog for pension sector as well; and

(c) if so, the reasons behind the move?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) No, Sir.

(c) Does not arise.

**Fiscal deficit**

1977. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that while during 1990s the fiscal deficit of States was below 3 per cent of GDP, but it has shot up to almost 5 per cent by 1999-2000 and revenue deficit was less than 30 per cent in early 1990, but it reached a shocking figure of 60 per cent by the end of that decade;

(b) if so, the reason for this abnormal increase in revenue deficit; and

(c) whether Government have initiated any specific steps or RBI has issued any guidelines to State Governments on reduction in revenue deficit?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) While the Gross Fiscal Deficit of State Governments increased from 3.3% of GDP in 1990-91 to 4.7% in 1999-00, revenue deficit as a proportion of fiscal deficit increased from 28.3% to 58.8% during this period.

(b) Slow growth in revenue receipts of the State Governments to meet faster growing committed expenditure like salaries, interest and pensions, inadequate user charges and poor returns on their investments have been the main reasons for widening of the revenue deficit.

(c) In order to supplement the efforts of the State Governments towards fiscal consolidation, Government of India has created "States' Fiscal Reforms Facility (2000-01 to 2004-05)", in accordance with the recommendation of the Eleventh Finance Commission. The Scheme incentivises States to undertake fiscal reforms programme in the medium

term *inter alia*, aiming at reducing their revenue deficit over the reform period, by way of improving tax and non-tax receipts and reprioritizing expenditue. In addition, RBI as a banker and debt manager to State Governments, has been providing a forum to discuss their fiscal problems in the bi-annual conference of State Finance Secretaries and constituting technical committees to address the issues and problems emerging from such conferences.

**Soft interest rate regime**

1978. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the soft-interest rate regime in the country now over;

(b) if so, the reasons therefor;

(c) whether it is also a fact that there is pressure on liquidity on the banking system and this is forcing them to raise interest rates; and

(d) what measures have Government have taken/propose to take to address the issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Interest rated depend on a number of factors such as the outlook for inflation, growth prospects and investment demand. Short-run movements in interest rates, either up or down, cannot be predicted without taking cognizance of possible movements in all other macro economic variables. The conduct of monetary policy, however, is guided by the key objective to pursuing an interest rate environment that is conducive to macro economic & price stability and maintaining the momentum of growth.

(c) and (d) At present, the liquidity availability in the economy, including the banking sector is considered adequate. This is reflected in the excess liquidity placed in reverse repo under the liquidity adjustment facility (LAF) of the Reserve Bank of India (RBI), which ensures appropriate liquidity to meet the legitimate credit needs and supports investment and export demand in the economy.